



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

125 Hinckley Road

Leicester

LE3 0TF

**Service Charge Expenditure Report**

**25<sup>st</sup> March 2017 to 24<sup>th</sup> March 2018**



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Johnson Fellows. Charter House, Newhall Street, Birmingham, B3 1SW





## **Introduction**

Historically, Tesco have maintained the communal areas at Hinckley Road. As all of the tenants benefit from the use of the communal areas and are liable to contribute towards their upkeep under the terms of their leases a service charge has been introduced in order that all of the tenants contribute towards the communal costs.

This report has been produced by Johnson Fellows on behalf of the Landlord, Tesco Stores Limited. The report is intended to provide details of the expenditure incurred for the service charge year ending 24<sup>th</sup> March 2018.

## **The Property**

The property consists of a parade of 4 retail units and one void unit. It is located within 1 mile of Leicester city centre and has access off A563 Hinckley Road roundabout. The site benefits from a front car parking facility, landscaped area and rear service yard which are maintained directly by the service charge.

## **Voids and Concessions**

The service charge for any void lettable units or attributable to any service charge concessions is the responsibility of the Landlord.

## **VAT**

The Landlord has elected the property for VAT.

The service charge payable by the commercial lessees will have VAT charged at the standard rate.

## **Banking**

Due to the general level of service charge funds, they are not maintained within a discrete bank account. The funds are held within the Johnson Fellows Clients Account which is maintained with Barclays Bank plc. As a consequence the service charge is not credited with any interest, neither are any bank charges allocated to the service charge.

Interest charged on late payment of service charge by tenants is to be credited to the service charge.

There is no sinking fund or reserve fund.



### **Service Charge Objectives**

The service charge expenditure report is aimed at providing a clear explanation of the expenditure incurred and is to promote clarity and transparency. Should any occupier have comments on the format or the information contained in this report that would assist with the report being improved for the benefit of all concerned, these comments would be welcome. We would also welcome constructive feedback on the communal services provided at the property.

The objective of Johnson Fellows as Managing Agents is to provide a high quality management service. In doing so, we aim to provide a well maintained business environment, delivering value for money for the service charge expenditure.

The service charge year end accounts and this report have been prepared having regard to the RICS Practice Standards; Service Charges in Commercial Property, Code of Practice.



## **Management Team**

### Facilities Manager:

Chris Monteith

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0409

Mobile: 07786 072 755

Email: [chris.monteith@johnsonfellows.co.uk](mailto:chris.monteith@johnsonfellows.co.uk)

Chris Monteith is responsible for the repair and maintenance of the property and statutory compliance.

### Management Surveyor:

George Brittain

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0454

Mobile: 07884 352 576

Email: [george.brittain@johnsonfellows.co.uk](mailto:george.brittain@johnsonfellows.co.uk)

George Brittain is responsible for the overall management of the property.

### Service Charge Accountant:

Rebecca Glover

Client Accounts

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0405

Email: [rebecca.glover@johnsonfellows.co.uk](mailto:rebecca.glover@johnsonfellows.co.uk)

Rebecca Glover is the client accountant responsible for this property.



### **Service Charge Apportionment**

The service charge provisions are set out in each tenants lease. These consistently provide for each tenant to pay a due proportion of the service charge which is attributable to each tenant's premises. The due proportion is based primarily on the net internal area of each property relative to the total net internal area of all units. If such apportionment is inappropriate, the Landlord has reasonable discretion to adopt such other due proportion as is fair and reasonable. This may include attributing the whole expenditure to a particular unit.

The net internal areas for the commercial units have been obtained from the 2010 ratings list on the VOA website, and the area for the house has been provided by Tesco.

The costs included within the budget for Schedule 1 relate to the repair and maintenance of the communal areas. The communal areas are defined as the car park located at the front of the parade on Hinckley Road, and a strip of land located at the rear of the parade on Stretton Road. All tenants contribute towards Schedule 1.

Schedule 2 relates to any Building repairs required to units 1 & 2, and only the leaseholders of units 1 & 2 contribute towards these costs.

The service charge percentage apportionments are detailed in Appendix A.



## Expenditure Commentary

### **SCHEDULE 1 – All Tenants**

*All figures are shown net of VAT*

- **Cleaning** **£652.40**

Tesco have a contract in place for daily cleaning. The cleaning contract covers both the internal and external cleaning for multiple Tesco properties.

Based upon information provided by Tesco and the cleaning contractors, we have calculated the proportion of the cost attributable to the car park.

- **Boundary Maintenance** **£1,050.00**

This is made up of works highlighted in last years H&S report including the removal of moss, painting of hashed area and removal of a redundant bracket trip hazard.

- **Car Park Maintenance** **£3,245.00**

Cost of relamping, fixed wire test, and gritting.

- **Drain Maintenance** **£1,250.00**

Annual flush out of drains & removal of tree roots from drain.

- **Landscape - External** **£490.00**

Two 6 monthly visits to attend to the high-level tree pruning and cut back of vegetation to the raised beds at the front of the site.

- **Interest** **£0.00**

Any interest charge on late payment of the service charge will be credited to the budget heading.

- **Audit Fee** **£250.00**

The RICS Service Charge Code of Practice states that service charge accounts should be independently certified on an annual basis.

- **Management Fee** **£5,386.00**

This figure represents the cost incurred for the management of the property and administration of the service charge, including periodic inspection. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual RPI increase.



- **Facilities Management** **£1,000.00**

The cost for the Facilities Manager to organise and supervise the service charge contracts and maintenance works.

**Total**

**Schedule 1** **£13,323.40**



**SCHEDULE 2 – Units 1 & 2 Leaseholders**

*All figures are shown net of VAT*

- **Building Repair** £95.00

This is the cost for the annual gutter clean.

- **Signage** £0.00

No signage was needed this period.

**Total**

**Schedule 2** £95.00

.....  
Management Surveyor

Dated 5<sup>th</sup> October 2018

.....  
Facilities Manager

Dated 5<sup>th</sup> October 2018



Appendix A

125 Hinckley Road, Leicester, LE3 0TF

Service Charge Apportionment Schedule

25th March 2017 to 24th March 2018

Unit	Schedule	Area (sq m)	Percentage
Warehouse	1	624.65	43.6%
Unit 1	1	77.44	5.4%
Unit 2	1	74.18	5.2%
Supermarket	1	400.61	28.0%
House	1	255.48	17.8%
<b>1 Total</b>		<b>1432.36</b>	<b>100.00%</b>
Unit 1	2	77.44	51.1%
Unit 2	2	74.18	48.9%
<b>2 Total</b>		<b>151.62</b>	<b>100.00%</b>



## Appendix B

**125 Hinckley Road, Leicester, LE3 0TF**

### **Service Charge Variance Schedule**

**25th March 2017 to 24th March 2018**

The property is VAT registered. Figures are shown net of VAT.

Service Charge Item	Schedule	Budget 2017/2018	Actual 2017/2018	Budget v Actual Variance %	Budget v Actual Variance £
Car Park Cleaning	1	£ 800.00	£ 652.40	-18.45%	-£ 147.60
Boundary Maintenance	1	£ 1,000.00	£ 1,050.00	5.00%	£ 50.00
Car Park Maintenance	1	£ 2,500.00	£ 3,245.00	29.80%	£ 745.00
Drain Maintenance	1	£ 800.00	£ 1,250.00	56.25%	£ 450.00
Landscaping	1	£ 700.00	£ 490.00	0.00%	-£ 210.00
Audit Fees	1	£ 250.00	£ 250.00	0.00%	£ -
Management Fees	1	£ 5,386.00	£ 5,386.00	0.00%	£ -
Facilities Management F	1	£ 1,000.00	£ 1,000.00	0.00%	£ -
<b>1 Total</b>		<b>£ 12,436.00</b>	<b>£ 13,323.40</b>	<b>7.14%</b>	<b>£ 887.40</b>
Building Repair	2	£ 300.00	£ 95.00	-68.33%	-£ 205.00
Signage	2	£ 300.00	£ -	-100.00%	-£ 300.00
<b>2 Total</b>		<b>£ 600.00</b>	<b>£ 95.00</b>	<b>-84.17%</b>	<b>-£ 505.00</b>
<b>Grand Total</b>		<b>£ 13,036.00</b>	<b>£ 13,418.40</b>	<b>2.93%</b>	<b>£ 382.40</b>

#### **Note**

Following new lease granted for Warehouse & House, the tenant is responsible for contributing to all expenditure excluding schedule 2. Consequently, schedule 3 will cease to operate.



**Appendix C**

**TESCO STORES LIMITED**

**125 HINCKLEY ROAD  
LEICESTER**

**SERVICE COSTS AUDIT STATEMENT**

**YEAR ENDED 24TH MARCH 2018**





**125 Hinckley Road  
Leicester  
Certificate of Service Costs for the year ended 24th March 2018**

	2018	2017
<b>Schedule 1</b>		
Cleaning	652.40	634.40
Boundary maintenance	1,050.00	1,285.00
Car park maintenance	3,245.00	1,640.00
Drain maintenance	1,250.00	600.00
Landscape - external	490.00	0.00
Audit fees	250.00	0.00
Management fees	5,386.00	0.00
Facilities management	<u>1,000.00</u>	<u>0.00</u>
	13,323.40	4,159.40
<b>Schedule 2</b>		
Building Repair	95.00	0.00
<b>Schedule 3</b>		
Landscape	0.00	700.00
Interest	0.00	0.00
Audit fees	0.00	250.00
Management fees	0.00	5,249.99
Facilities management	<u>0.00</u>	<u>360.00</u>
	0.00	6,559.99
<b>Total expenditure</b>	<u><u>13,418.40</u></u>	<u><u>10,719.39</u></u>

**No reserve fund is held for this property**

**Independent Accountant's Review Report**

To the Manager, 125 Hinckley Road

We have reviewed the statement of service charge expenditure for the above property for the year ended 24 March 2018. The statement of service charge expenditure has been prepared by the Manager in accordance with guidance issued by the RICS in the Code of Practice, Services Charges in Commercial Property, Third edition.

**Manager's Responsibility for the Statement of service charge expenditure**

The Manager is responsible for the preparation of the statement of service charge expenditure and for such internal control as the Manager determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

**Reporting Accountant's Responsibility**

Our responsibility is to express a conclusion on the statement of service charge expenditure based on the procedures we have performed and the evidence we have obtained. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements (Revised). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the statement of service charge expenditure, taken as a whole, is not prepared in all material respects in accordance with the provisions of the Code of practice 'Service charges in commercial property' issued by the RICS. ISRE 4000 (Revised) also requires us to comply with relevant ethical requirements.



A review of a statement of service charge expenditure in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The reporting accountant performs procedures, primarily consisting of making inquiries of management and others responsible for the services that comprise the service charge on this property, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures do not include review of the allocation or apportionment of service charge expenditure to occupiers.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the statement of service charge expenditure.

**Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of service charge expenditure is not prepared, in all material respects, in accordance with the provisions of the Code of practice 'Service charges in commercial property' issued by the RICS.

**Basis of Accounting, and Restriction on Distribution and Use**

Our report is made in accordance with the terms of our engagement and is intended solely for the Manager to issue to current occupiers. This report should not be distributed to or used by other parties. Our work has been undertaken to enable us to make this report to the Manager and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Manager in connection with the report or this engagement.

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